CHAPTER 4

Assets and Liabilities

Chapter Objectives

- **Classify assets and liabilities for a sport organization.**
- **Differentiate between different types of assets and liabilities.**
- **Identify strategies to reduce liabilities and increase assets.**

What Are Assets?

- **Assets help generate revenue or have the potential to generate revenue (e.g., cash, inventory, accounts receivable, land, buildings, equipment, and intangible assets).**

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What Are Assets? *(continued)*

A store inside an arena will have significant assets. How much are they worth?

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What Are Assets? *(continued)*

A high-end broadcasting camera can cost over $100,000, and may represent both an asset and—if money was borrowed to buy it—a liability.

Types of Assets

- **Tangible assets—Can be touched**
- **Intangible assets—Cannot be touched**
- **Current assets—Examples include cash, bank accounts, marketable securities, accounts receivable, and pre-paid expenses**
- **Fixed assets—Hard to convert to cash and often referred to as PPE (property, plant, and equipment).**

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Types of Assets *(continued)*

- **Employees—Having great employees is a big asset for a sport organization**
- **Inventory—Raw materials, work in process, finished goods, merchandise, supplies**

Asset Valuation

The primary asset valuation techniques are:

- **Liquidation value**
- **Book value**
- **The difference between book value and market value**
- **The fair value option**

Finding and Leveraging Assets

- **Take a look around the classroom. What assets do you see? Is the school using these assets effectively? What would you do to leverage and maximize the assets value?**
- **If you had a famous celebrity as an alum of your school, how could you leverage them as an asset?**

Liabilities

- **Current liabilities are debts that are owed in the short-time period (e.g., less than a year).**
- **The cost to replace a turf field could run into the millions.**

Types of Liabilities

- 401(k) payable
- Accrued expenses payable
- Accrued liability
- Bonds payable
- Common stock dividend distributable
- Dividends declared
- Federal income tax withholdings payable
- FICA tax payable
- Income and other taxes payable
- Interest payable
- Lawsuit payable
- Mortgage payable
- Net payroll payable
- Payroll taxes payable
- Pension payable

Cost of Debt

- **Every debt obligation has an associated cost.**
- **Have you ever borrowed money, and if so, how did it make you feel?**

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Cost of Debt *(continued)*

The cost to create a store to generate future revenue can be very expensive.

Class Discussion Topics

1. **What do you think is the most important asset for a youth sport organization?**
2. **Develop a list of the liabilities a traditional fitness club would have (assume they do not own the facility, but own everything else).**
3. **Create a list of all your current assets and liabilities. Examine each asset and determine whether you are appropriately leveraging it? Can you find a way to reduce some of your liabilities?**
4. **Do you think professional athletes should be considered assets? Defend your position.**

Part I Case Study Discussion Topics

1. **What do you think is the future of soccer around the globe and in the United States? Defend your position with hard numbers rather than an emotional argument.**
2. **How do you think the corruption scandals impacting soccer will change the landscape of global soccer, and what ethical lessons can you learn from those scandals?**

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Part I Case Study Discussion Topics *(continued)*

3. **Do you think U.S. women's soccer players should be paid the same as male players? What information will you need to help defend your argument from a financial perspective?**
4. **If you were tasked with increasing revenue for the United States Soccer Federation, where would you try to find money and how would you attempt to generate that revenue?**